

# IRS Tax Seminar For U.S. Citizens Residing Abroad



# Welcome

This seminar will cover:

- Filing Requirements
- Foreign Issues
- Tax Law Changes
- Resources—How to get forms and information
- Questions

**Piacere**



**Willkommen**

*Bienvenido*

*Bienvenue*

# Who Must file?

- All U.S. Citizens and resident aliens whose income exceeds certain thresholds based on filing status.
- Self-Employed individuals earning over \$400.



# Who Must File

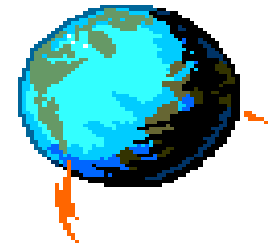
- **Green Card Holders**: Unless you have formally abandoned your green card or had it judicially revoked, you are still considered a U. S. resident for tax purposes.
- **See Publication 4588**

**FILING REQUIREMENTS: U.S. CITIZENS AND RESIDENT ALIENS ARE REQUIRED TO REPORT WORLDWIDE INCOME FROM ALL SOURCES, IRRESPECTIVE OF RESIDENCE. USE THE CHART (BELOW) TO DETERMINE IF YOU ARE REQUIRED TO FILE A 2008 U.S. INCOME TAX RETURN.**

If your filing status is...	AND at the end of 2007 you were...	THEN file a return if your gross income was at least...
Single	Under 65	\$8,950
	65 or older	\$10,300
Married filing jointly	Under 65 (both spouses)	\$17,900
	65 or older (one spouse)	\$18,950
	65 or older (both spouses)	\$20,000
Married filing separately	Any age	\$3,500
Head of Household	Under 65	\$11,500
	65 or older	\$12,850
Qualifying widow(er) with dependent child	Under 65	\$14,400
	65 or older	\$15,450

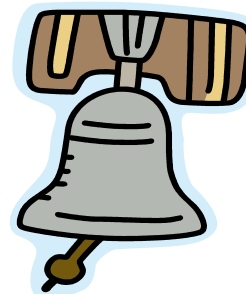
# WHAT TO REPORT:

- Must report your worldwide income from all sources.
- Must be reported in U.S. dollars.



# WHERE TO FILE:

- Austin, Texas
  - If you have a foreign, APO, or FPO address or
  - If you file Form 2555 or 2555EZ to claim the foreign earned income exclusion or
  - If you file Form 1040NR or 1040NR-EZ



# WHERE TO FILE

## **Postal Service:**

**Internal Revenue Service Center  
Austin, TX 73301-0215**

## **Private Delivery Service:**

**IRS  
3651 S. IH 35  
Austin, Texas 78741  
Phone: (512) 460-7948**

# WHEN TO FILE:

- **U.S. citizen residing overseas?**

Automatic extension to June 15

- **Need additional extension?**

File Form 4868

(Provides additional extension to October 15)

# WHEN TO PAY:

- Extension to file is not an extension to pay.
- Payment must be received by IRS by April 15.

Electronic Payment **Website:** [www.eftps.gov](http://www.eftps.gov)



# FOREIGN ISSUES

# FOREIGN EARNED INCOME EXCLUSION

- May be able to exclude up to \$87,600 of EARNED income.
- Must be EARNED income (not dividends, interest, pensions, social security).
- Wages must be earned on foreign soil.
- Compensation from US Government or Military does not qualify for exclusion

# Two requirements must be met:

- Tax home in foreign country (generally one's place of business) and
- Meet either.....
  - A. Bona Fide Residence Test or
  - B. Physical Presence Test

# Bona Fide Residence Test

- Must be a resident of a foreign country for an uninterrupted period that includes an entire tax year.
- Brief trips to U.S. okay.

# Physical Presence Test

- Must be physically present in foreign country 330 full days during any period of 12 consecutive months.
- Any 12 months can be used, as long as they are consecutive.
- Can use Form 2350 for extension to qualify for physical presence test.

# Requirements are applied separately to each individual

- Husband and wife could be eligible to exclude up to \$87,600 of income each for a total exclusion of \$175,200.



# How do I claim the exclusion?

Complete Form 2555 or 2555-EZ

Can use Form 2555-EZ if:

- Total foreign income less than \$87,600
- No business or moving expenses
- Earn only wages, no self employment income

# Important

- Any income above the excluded \$87,600 amount is taxed at higher rate (the tax is computed as if the foreign earned income exclusion was not taken).

# FOREIGN HOUSING EXCLUSION

- May claim exclusion or deduction for housing amount
- Must meet same criteria as for Foreign Earned Income Exclusion
- Limitations on maximum housing expenses based on geographic location.

# FOREIGN EARNED INCOME EXCLUSION LIMITS

- Foreign Earned Income Exclusion is limited to the foreign earned income minus any foreign housing exclusion.

# Foreign Tax Credit

- Eliminates double taxation of same income.
- Must have income from a foreign source on which you are taxed by a foreign country.
- Tax imposed must be an income tax, and must have been paid
- Must not derive any benefit from the tax.

# Generally, you will claim the Foreign Tax Credit on Form 1116

Some situations allow you to report credit directly  
On Form 1040, line 47:

- When all foreign source income is from dividends or interest and
- Total foreign taxes less than \$300, or \$600 if Married Filing Jointly.

# Otherwise, use Form 1116

- Separate Form 1116 is used for different categories of income; general limitation income (wages), and passive income (interest, dividends, etc.).
- Cannot claim foreign tax credit for tax related to income excluded on Form 2555 (Foreign Income Exclusion).

# Foreign Financial Accounts and Trusts

- Must be reported on Schedule B, Part III of Form 1040.
- Form TD F 90-22.1: Must also file if aggregate value of financial accounts exceed \$10,000 at any time during the year.
- Form TD F 90-22.1 filed to: Dept. of Treasury by June 30, 2007 (not filed with 1040).
- Civil Penalty of up to \$10,000 applies to failure to report foreign financial accounts. For willful failure, penalty is up to \$100,000.

# What About Social Security Taxes?

- U. S. has entered into Totalization Agreements with several countries.



# Totalization Agreements:

- Eliminate dual Social Security taxation.
- Help fill gaps in benefit protection for workers who have divided their careers between U.S. and another country.

## Want more info?

- Contact the Social Security Administration at:  
[www.ssa.gov](http://www.ssa.gov)

# Tax Treaties



# A Tax Treaty is intended to:

- Further enhance U.S. economic interests and
- Enhance investment by
- Providing for mutual cooperation and exchange of information
- Prevent double taxation

# TAX TREATIES

- Most US Tax Treaties contain a **Savings Clause** which prevents US citizens residing abroad from using Tax Treaty articles to simultaneously exempt their income from both US and Foreign tax
- Want more information on Tax Treaties?

See **Publication 901.**

# Highlights of 2008 Tax Law Changes

- Personal exemption increased to \$3,500.
- Maximum net self-employment earnings subject to social security portion of SE tax is \$102,000.
- Standard mileage rates for:
  - business use of vehicle:
    - 50 ½ cents a mile – January 1 – June 30
    - 58 ½ cents a mile – July 1 – December 31
  - using vehicle for medical care or to move:
    - 19 cents a mile – January 1 – June 30
    - 27 cents a mile – July 1 – December 31

# NEED HELP?

Check [www.irs.gov](http://www.irs.gov) for:

- Forms and publications
- Refund information
- Help with tax law questions

Or Call Customer Service at  
215-516-2000 (not toll free)  
(Mon – Fri 6:00 a.m. – 11:00 p.m. EST)



# Helpful Publications:

- Pub 54, Tax Guide for US Citizens and Resident Aliens Abroad.
- Pub 519, US Tax Guide for Aliens
- Pub 514, Foreign Tax Credit
- Pub 17, Your Federal Income Tax
- All Publications are available at: [www.irs.gov](http://www.irs.gov)
- Order by Phone: (215)516-2000  
(not toll free)

# Refund Information:

- Go to [www.irs.gov](http://www.irs.gov)
- Click on “Individuals”
- Click on “Where’s my refund?”
- Follow the prompts



# Tax Law Questions

- Go to [www.irs.gov](http://www.irs.gov)
- Click on “Individuals”
- Click on “International Taxpayers”
- Scroll to bottom of page. Click on “Help with Tax Questions – International Taxpayers”



# Having Difficulty Getting An IRS Problem Resolved?

- Contact the International Taxpayer Advocate at:

**Phone: (787) 622-8931**

**Fax: (787) 622-8933**

**IRS**

**San Patricio Office Center, Room 200**

**7 Tabomico Street**

**Guaynabo, Puerto Rico 00966**

# Questions?

